
Economic and Fiscal Impact of Annual Tourism in Sedona, Arizona

Prepared For:
City of Sedona

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EXECUTIVE SUMMARY

Economic and Fiscal Impact Of Sedona Tourism

Elliott D. Pollack and Company was retained to perform an economic and fiscal impact study of annual tourism to the Greater Sedona area defined as the City of Sedona, Village of Oak Creek and Oak Creek Canyon. The study was conducted in conjunction with the Behavior Research Center (BRC) who administered a survey of tourists regarding their travel and spending patterns while visiting Sedona. The results of the BRC survey were used to estimate the impact of Sedona tourism on the City of Sedona, Coconino County and on the State of Arizona.

- According to the Sedona Chamber of Commerce, there are an estimated 2,293 hotel, motel and bed & breakfast rooms in the Greater Sedona area (defined as the City of Sedona, Village of Oak Creek and Oak Creek Canyon) inclusive of the 1,557 within City of Sedona limits. The occupancy rate at these units has averaged 65.9% during the five years through 2005. Thus, the total room nights demanded annually is about 551,434 units.
- Based on survey results regarding length of stay (3 nights) and type of accommodations, an estimated 251,797 parties spend the night in Greater Sedona each year in hotels, motels, timeshares, bed & breakfasts, RV parks or private residences. This translates into 755,390 nights demanded by overnight parties and 593,520 day-tripper parties, or an estimated 1.35 million visitor parties annually. Based on persons per party figures for overnight parties (2.8) and day-trippers (3.6), there are an estimated 2.8 million visitors to Greater Sedona each year.
- In total, the 755,390 visitor parties that spend an average of three nights in Sedona spend \$259.9 million annually while the day-trippers spend an additional \$112.8 million in the local economy, for a total of \$372.6 million annually.
- The economic impact of the annual tourism in Sedona is based on the estimated \$372.6 million annual spending. A portion of this impact would be in Coconino County(30.5%) and a portion in Yavapai County (69.5%).
- In summary, annual Sedona tourism generates 7,660 direct jobs in Yavapai and Coconino counties. This would include the employees of hotels, retail establishments, restaurant and bars, ground transportation companies, entertainment venues and other tourist-related venues. Another 2,670 indirect and induced jobs will be created.
- Altogether, annual tourism to Greater Sedona creates approximately 10,330 jobs each year, generating \$231.2 million in wages and \$587.6 million in economic activity. The multipliers used in this report were for Yavapai County and Coconino County. Although the primary impact of the study will focus upon the City of Sedona, the entire Greater Sedona region will benefit from this activity.

- Overall, the State would collect about \$17.1 million in each year that is attributable to the Sedona tourism industry. The primary revenues that accrue to the State total more than \$9.8 million in sales tax collections and bed tax collections annually.
- In total, the impact to the City of Sedona from tourism is approximately \$9.9 million. This includes \$9.4 million in direct sales tax, occupancy tax and bed tax.

Following is a summary table of the annual Sedona Tourism Impact.

| Summary Table Economic & Fiscal Impact of Sedona Tourism | |
|---|------------------|
| Visitors by type | |
| Total overnight visitors (based on 2.8 per party) | 705,000 |
| Total daytripper visitors (based on 3.6 per party) | 2,136,700 |
| Total Greater Sedona Visitors | 2,841,700 |
| Economic Impact (Coconino and Yavapai County) | |
| Total Jobs | 10,330 |
| Direct | 7,660 |
| Indirect | 900 |
| Induced | 1,770 |
| Total Wages (\$ mil) | \$231.2 |
| Direct | \$148.0 |
| Indirect | \$30.5 |
| Induced | \$52.7 |
| Total Economic Output (\$ mil) | \$587.6 |
| Direct | \$372.6 |
| Indirect | \$87.1 |
| Induced | \$127.9 |
| Fiscal Impact (\$ mil) | |
| State of Arizona Revenues | \$17.1 |
| Primary | \$9.8 |
| Secondary | \$7.2 |
| Yavapai County Revenues | \$5.8 |
| Primary | \$1.9 |
| Secondary | \$4.0 |
| Coconino County Revenues | \$2.0 |
| Primary | \$1.1 |
| Secondary | \$0.9 |
| City of Sedona Revenues | \$9.9 |
| Primary | \$9.4 |
| Secondary | \$0.5 |
| <small>Note: There are 251,797 overnight visitor parties and 593,520 daytripper visitor parties. Source: Elliott D. Pollack & Company; IMPLAN; Arizona Department of Revenue; Arizona Tax Research Association; City of Sedona.</small> | |

1.0 Introduction

Elliott D. Pollack and Company was retained to perform an economic and fiscal impact study of annual tourism to the Greater Sedona area defined as the City of Sedona, Village of Oak Creek and Oak Creek Canyon. The study was conducted in conjunction with the Behavior Research Center (BRC) who administered a survey of tourists regarding their travel and spending patterns while visiting Sedona. The results of the BRC survey were used to estimate the impact of Sedona tourism on the City of Sedona, Coconino County and on the State of Arizona.

Elliott D. Pollack and Company's portion of the analysis focuses on the fiscal and economic impact of the tourism spending. Economic impact analysis examines the regional implications of an activity in terms of three basic measures: sales or output, earnings and job creation. Fiscal impact analysis, on the other hand, evaluates the public revenues and costs created by a particular activity. In fiscal impact analysis, the primary revenue sources of a city, county or state are analyzed to determine how the activity may financially affect them.

The study is subject to the following considerations and limiting conditions and assumptions.

- This study is intended to be read and used as a whole and not in parts.
- Elliott D. Pollack & Company has relied upon the experience and judgment of other consultants for the formulation of certain assumptions regarding the Sedona tourism impact. This firm has not conducted any independent studies to determine the reliability or accuracy of the data provided, but this firm believes the data to be reasonable.
- The reported economic and fiscal impact findings outlined in this report represent the considered judgment of Elliott D. Pollack and Company based on the assumptions, analyses and methodologies described in the report.
- Except as specifically stated to the contrary, this study will not give consideration to the following matters to the extent they exist: (i) matters of a legal nature, including issues of legal title and compliance with federal, state and local laws and ordinances; and (ii) environmental and engineering issues, and the costs associated with their correction. The user of this study will be responsible for making his/her own determination about the impact, if any, of these matters.
- The analysis outlined in this study is based on currently available information and estimates and assumptions about long-term future trends. Such estimates and assumptions are subject to uncertainty and variation. Accordingly, we do not represent them as results that will be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary materially from the forecasted results. The assumptions disclosed in this market study are those that are believed to be significant to the projections of future results.

2.0 Impact Assumptions

The following section provides the assumptions used in the analysis to determine the economic and fiscal impact of annual tourism in Sedona, Arizona.

2.1 Survey Results

The Behavior Research Center conducted a survey of tourists to the City of Sedona in 2005. The purpose of the survey was to gather information from tourists regarding visitor characteristics. The survey focused on characteristics such as:

- Age
- Income
- Place of residence
- Length of stay
- Accommodations
- Travel mode
- Party configuration
- Trip purpose
- Spending patterns
- Travel arrangements
- Factors influencing visit
- Features most liked
- Contact with the Chamber of Commerce

The results of the survey were used in this analysis to determine economic and fiscal impact of tourism to Sedona. Table 1 provides a summary of survey results used in this analysis. Forty-four percent of the visitors to Sedona are day-trippers, while 56% are overnigheters that spend an average of three nights in the area. Sixty-nine percent of the overnigheter stay in a hotel or motel, 17% stay at a timeshare, 6% in a private home of a friend or relative, 4% stay in an RV park and another 4% stay at bed & breakfast units.

The typical party size is 3.2 persons. This varies for day-trippers (3.6 persons) and overnight visitors (2.8 persons). The typical day-tripper spends \$190 per day, while the typical overnigheter spends \$344 per day. This spending is further broken down into spending by type and used in the analysis to estimate the types of jobs that are being created by the spending in the local economy. In addition, 38% of the visitors come from within the State of Arizona while 62% arrive from other states.

While this survey treats all visitors as equal in terms of their impact, it is interesting to note that 97% of the visitors arrive via a vehicle or tour bus, while only 3% arrive via airplane. In addition, according the survey, only 5% of the visitors are conventioners compared to 95% leisure travelers.

Table 1
Sedona Intercept Survey
 Source: Behavior Research Center, 2005

| | | | |
|---|---------------------|----------------------------|----------------------------|
| <u>Visitor type</u> | | | |
| Daytrippers | 44% | | |
| Overnight | 56% | | |
| Average length of stay (nights) | 3.0 | | |
| <u>Accommodations</u> | | | |
| Hotel/motel | 69.0% | | |
| Timeshare | 17.0% | | |
| Private home | 6.0% | | |
| RV park | 4.0% | | |
| Bed & Breakfast | 4.0% | | |
| | 100.0% | | |
| <u>Travel mode</u> | | | |
| | <u>Total</u> | | |
| Drove | 95.0% | | |
| Airplane | 3.0% | | |
| Tour Bus | 2.0% | | |
| | 100.0% | | |
| <u>Purpose of trip</u> | | | |
| | <u>Total</u> | | |
| Leisure | 95.0% | | |
| Business Convention | 5% | | |
| | 100.0% | | |
| <u>Overall travel arrangements</u> | | | |
| | <u>Total</u> | <u>Overnighters</u> | <u>Day trippers</u> |
| Primary destination | 58% | 66% | 48% |
| <u>Place of residence</u> | | | |
| | <u>Total</u> | <u>Overnighters</u> | <u>Day trippers</u> |
| Northern Az | 6% | 2% | 11% |
| Arizona | 38% | 28% | 51% |
| Outside state | 62% | 72% | 49% |
| <u>Typical party size</u> | | | |
| | <u>Total</u> | <u>Overnighters</u> | <u>Daytrippers</u> |
| | 3.2 | 2.8 | 3.6 |
| <u>Spending patterns (per day)</u> | | | |
| | <u>Total</u> | <u>Overnighters</u> | <u>Day trippers</u> |
| Spending per party (median) | N/A | \$344 | \$190 |
| <u>Percent of total spending</u> | | | |
| | <u>Total</u> | <u>Overnighters</u> | <u>Day trippers</u> |
| Transportation per day | 6.2% | 6.9% | 7.3% |
| Lodging per night | 30.5% | 30.6% | 0.0% |
| Food & beverage per day | 15.2% | 15.7% | 20.6% |
| Retail shopping per day | 23.2% | 21.7% | 36.4% |
| entertainment per day | 12.4% | 12.8% | 16.9% |
| other | 12.6% | 12.3% | 18.8% |

2.2 Tourist Assumptions

In order to estimate the magnitude of tourism spending in the City of Sedona, this study relies on hotel room supply and occupancy. According to the City of Sedona and the Sedona Chamber of Commerce, there are an estimated 2,293 hotel, motel and bed & breakfast rooms in the Greater Sedona area. The occupancy rate at these units has averaged 65.9% during the five years through 2005. Thus, the total room nights demanded annually is about 551,434 units.

Based on survey results regarding type of accommodations, an estimate for total overnight visitors by place of accommodations is summarized below. Overall, an estimated 251,797 parties spend the night in Greater Sedona each year in hotels, motels, bed & breakfasts, timeshares, RV parks and private residences. This translates into 755,390 nights demanded by overnight parties and 593,520 day-tripper parties, or an estimated 1.35 million visitor parties annually. Based on persons per party figures, there are a total of 2.8 million visitors to Greater Sedona each year.

According to the City of Sedona, only 1,557 of the hotel, motel and bed and breakfast units are within City limits. Thus, only this portion of the room nights demanded will be subject to the City of Sedona bed tax. In addition, not all visitors will spend their vacation dollars within City limits. This will be taken into account in the fiscal impact on the City of Sedona section of this report.

| Table 2 Greater Sedona Visitor Assumptions | | |
|---|------------------|-------------------------|
| Source: City of Sedona; Sedona Chamber of Commerce; Behavior Research Center | | |
| Greater Sedona hotel/motel and bed & breakfast inventory | 2,293 | |
| Average occupancy | 65.9% | |
| Total annual room nights demanded | 551,434 | |
| Average length of stay (days) | 3.0 | |
| Overnight parties by Accommodation type | Parties | Percent of total |
| Hotel/motel and bed & breakfast | 183,811 | 73.0% |
| Timeshare | 42,800 | 17.0% |
| Private home | 15,100 | 6.0% |
| RV park | 10,100 | 4.0% |
| Total overnight parties | 251,800 | 100.0% |
| Overnight and daytripper parties | Parties | Percent of total |
| Total overnight parties (avg. length of stay 3.0 days) | 755,390 | 56.0% |
| Total daytripper parties | 593,500 | 44.0% |
| Total parties | 1,348,900 | 100.0% |
| Visitors by type | Visitors | Percent of total |
| Total overnight visitors (2.8 per party) | 705,000 | 24.8% |
| Total daytripper visitors (3.6 per party) | 2,136,700 | 75.2% |
| Total Greater Sedona Visitors | 2,841,700 | 100.0% |
| Note: There are 1,557 hotel and bed & breakfast rooms within City of Sedona limits. Only the rooms within city limits will be subject to City of Sedona taxes. | | |

2.3 Tourist Spending Assumptions

Spending estimates by type of visitor and type of spending are derived directly from the survey results and multiplied by the number of parties estimated in Table 2. The figures in Table 3 are used to conduct the impact analysis on the local economy.

In total, the 755,390 overnight visitor parties that spend an average of three nights in Sedona spend \$259.9 million including \$79.6 million in lodging. However, only 67.9% of the lodging is within City limits and subject to the City of Sedona bed tax. The day-trippers spend an additional \$112.8 million in the local economy.

| Table 3 Greater Sedona Visitors Spending Assumptions Source: City of Sedona; Sedona Chamber of Commerce; Behavior Research Center | | |
|--|------------------------------|--------------------------------|
| Type of spending per day | Overnight (S mil) | Day-tripper (S mil) |
| Transportation | \$17.9 | \$8.2 |
| Lodging | \$79.6 | N/A |
| Food & beverage | \$40.7 | \$23.3 |
| Retail | \$56.4 | \$41.0 |
| Entertainment | \$33.1 | \$19.1 |
| Other | \$32.0 | \$21.2 |
| Total annual spending | \$259.9 | \$112.8 |
| Note: Above figures are inclusive of all accommodations in the Greater Sedona area. | | |

3.0 Economic Impact of Sedona Tourism

The economy of any community, whether small or large in size, is dependent on the health of its “base” industries. Base industries are those that bring dollars into a city or town. This is a very important process. When a product is exported, money flows into a region. This money circulates throughout the local economy until other products are imported and the money flows out of the area. If a community’s base industries fail, the community no longer has a means of generating this in-flow of monies and the economy suffers.

In many rural communities, tourism is the primary base industry. This is the case with Sedona. While the tourism industry does not produce typical items for exportation, such as a computer chip produced locally and sent to another state for assembly, it acts as a base industry in that a service product (i.e. a vacation) is produced and individuals from outside of the area visit and supply the area with necessary monies.

3.1 Economic Impact Methodology

Economic impact analysis examines the economic implications of an activity in terms of sales or output, earnings, and employment. For this study, the analysis focuses on the type of spending of the visitors including:

- | | |
|--------------------------|-------------------|
| (1) Local transportation | (4) Retail |
| (2) Lodging | (5) Entertainment |
| (3) Food & beverage | (6) Other |

The total spending within each of these categories is run through the model to estimate the total economic impact. The different types of economic impacts are known as direct, indirect, and induced, according to the manner in which the impacts are generated. For instance, direct employment consists of permanent jobs held by the tourism industry employees. Indirect employment is those jobs created by businesses that provide goods and services essential to the tourism industry. These businesses range from manufacturers (who make goods) to wholesalers (who deliver goods) to janitorial firms (who clean the buildings). Finally, the spending of the wages and salaries of the direct and indirect employees on items such as food, housing, transportation and medical services creates induced employment in all sectors of the economy, throughout the metropolitan area. These secondary effects are captured in the analysis conducted in this study.

Multipliers have been developed to estimate the indirect and induced impacts of various direct economic activities. The Minnesota IMPLAN Group developed the multipliers used in this study. The economic impact is categorized into three types of impacts:

- (1) Employment Impact – the total wage and salary and self employed jobs in a region. Jobs include both part time and full time workers.

- (2) Earnings Impact – the personal income, earnings or wages, of the direct, indirect and induced employees. Earnings include total wage and salary payments as well as benefits of health and life insurance, retirement payments and any other non-cash compensation.
- (3) Economic Output – the economic output, also referred to as sales or activity, relates to the gross receipts for goods or services generated by the tourism industry.

Economic impacts are by their nature regional in character. Such impacts are best if assigned to a region, although clearly the primary impact of job creation will be on the City of Sedona. However, other communities in both Yavapai and Coconino County may be impacted. People working in the tourism industry will commute to Sedona from their homes in all parts of the two counties. Therefore, the economic impact of annual Sedona Tourism is expressed in this report as countywide benefits. The fiscal impact on the City (explained in Section 4.0 of this report) will take into consideration that on a portion of the employees generated from the economic impact will reside within City limits.

All dollar figures, unless otherwise stated, are expressed in current dollars.

3.2 Economic Impact of Tourism

The economic impact of the annual tourism in Sedona is outlined in Table 4 based on the \$372.6 million annual spending. This \$372.6 million in spending is broken down by type of spending and run through two models – one for each county - that use Implan Multipliers to estimate the number of direct, indirect and jobs created. For the purpose of this report, the spending is allocated to each county based on hotel room count within each county. Thus, 69.5% of the spending is run through the Yavapai model and 30.5% of the spending is run through the Coconino County model.

Based on the results from Implan models, annual tourism spending in the Greater Sedona area generates 7,660 direct jobs. This would include the employees of hotels, retail establishments, restaurant and bars, ground transportation companies, entertainment venues and other tourist-related venues. About \$148.0 million in direct wages will be generated.

Another 2,670 indirect and induced jobs will be created annually with wages for these indirect and induced employees of about \$83.2 million. Altogether, annual tourism in the City of Sedona creates approximately 10,330 jobs each year, generating \$231.2 million in wages and \$587.6 million in economic activity. Although the primary impact of annual tourism will focus upon the City of Sedona, the entire Greater Sedona region will benefit from this activity.

Table 4
**Economic Impact of Tourism in Sedona
 2006**

Yavapai County

| Impact Type | Jobs | Wages (\$ mil) | Output (\$ mil) |
|-----------------|-------|----------------|-----------------|
| Direct | 5,490 | \$102.2 | \$259.1 |
| Indirect | 680 | \$22.4 | \$64.0 |
| Induced | 1,270 | \$37.2 | \$91.3 |
| Total | 7,440 | \$161.9 | \$414.4 |

Coconino County

| Impact Type | Jobs | Wages (\$ mil) | Output (\$ mil) |
|-----------------|-------|----------------|-----------------|
| Direct | 2,170 | \$45.7 | \$113.5 |
| Indirect | 220 | \$8.1 | \$23.0 |
| Induced | 500 | \$15.5 | \$36.6 |
| Total | 2,890 | \$69.3 | \$173.2 |

Total Regional Impact

| Impact Type | Jobs | Wages (\$ mil) | Output (\$ mil) |
|-----------------|--------|----------------|-----------------|
| Direct | 7,660 | \$148.0 | \$372.6 |
| Indirect | 900 | \$30.5 | \$87.1 |
| Induced | 1,770 | \$52.7 | \$127.9 |
| Total | 10,330 | \$231.2 | \$587.6 |

NOTES

- 1 The total may not equal the sum of the impacts due to rounding.
- 2 All dollar figures are in constant dollars. Inflation has not been included in these figures.

Source: Behavior Research Center; Elliott D. Pollack & Company; IMPLAN

4.0 Fiscal Impact of Sedona Tourism

4.1 Fiscal Impact Methodology

Fiscal impact analysis studies the public revenues associated with a particular economic activity. The primary revenue sources of local, county, and state governments (i.e. taxes) are analyzed to determine how an activity may affect the various jurisdictions. This section will only evaluate the impact of annual Sedona tourism on the primary governmental entities of the City of Sedona, Coconino County, Yavapai County and the State of Arizona, excluding special districts or other tax entities.

The fiscal impact figures cited in this report have been generated from information provided by a variety of sources including the U.S. Bureau of the Census; the U.S. Department of Labor; the Internal Revenue Service; the City of Sedona; the State of Arizona; the Arizona Tax Research Association; and the U.S. Consumer Expenditure Survey.

Elliott D. Pollack and Company has relied upon the Sedona Tourism Intercept Study conducted by the Behavior Research Center in 2005 as well as hotel/motel room estimates and occupancy estimated provided by the City of Sedona and Sedona Chamber of Commerce. Unless otherwise stated, all dollar values are expressed in 2006 dollars.

Fiscal impacts are categorized by type in this study, similar to economic impact analysis. The major sources of revenue generation for governmental entities are estimated from tourist dollars spent in the local economy.

Direct revenues generated from tourism include the state and local sales taxes levied on purchases and at restaurants and bars, bed tax levied on accommodations and taxes levied on rental cars or other ground transportation. These are the “primary” revenues generated from the annual tourism. In addition, however, the direct, indirect and induced employees supported by the tourism activity also generate revenues to local and state governments. For instance, they will spend part of their salaries on retail goods (thereby paying sales taxes) and contribute to the other revenue sources that are shared by the State with local cities. All these revenues create benefits for local cities. They are referred to in this report as “secondary” impacts.

Following is a description of the applicable revenue sources of the various jurisdictions that will be considered for this analysis.

- Sales Tax

The State, counties and local cities charge sales tax on retail goods and services. The sales tax rate for the State is 5.6% and for the City of Sedona is 3.0%. These tax rates are applied to direct sales, food and beverage sales and other retail sales. Likewise, sales taxes are collected on the spending of direct, indirect and induced employees.

- Bed Tax
The State (5.5%) and City of Sedona (3.0%) levy a hotel/motel tax on room receipts. For the City, the bed tax is levied on room revenues in addition to the 3.0% sales tax.
- State Income Tax
The State of Arizona collects taxes on personal income. The tax rate used in the analysis averages about 1.6% for earnings. These percentages are based on the most recently available income tax data from the State and the projected wage levels of jobs created by the construction, operations and tourism impact. This tax is applied to the wages and earnings of direct, indirect and induced employment. Portions of this tax are redistributed through revenue sharing to cities throughout Arizona based on population.
- State Unemployment Tax
Unemployment insurance tax for employees is 2.7% on the first \$7,000 of earned income. This factor is applied to the projected wages and earnings of direct and indirect employees.
- HURF Tax
The State of Arizona Highway User Revenue Fund collects a motor vehicle fuel tax of \$0.18 per gallon. The tax revenue is calculated based on a vehicle traveling 12,000 miles per year at 20 miles per gallon. These factors are applied to the projected direct and indirect employee count. Portions of this tax are distributed to cities and counties throughout Arizona based on a formula that includes population and the origin of gasoline sales.
- Vehicle License Tax
The vehicle license tax is a personal property tax placed on vehicles at the time of annual registration. This factor is applied to the projected direct, indirect and induced employee count. The average tax used in this analysis is \$148 and funds are shared between the cities, county and state in accordance with population-based formulas.
- State Shared Revenues
Each city in Arizona receives a portion of State revenues from four different sources - State sales tax, State income tax, vehicle license tax and highway user tax. The formulas for allocating these revenues are primarily based on population. Counties also share in the revenue sources of the State, with the exception of income tax.
- Property Taxes
Direct, indirect and induced employees supported by the tourism industry will pay county property taxes on homes they occupy. The Coconino County property tax rate is 1.775 per \$100 of assessed value while Yavapai County assesses a property tax rate of 4.5057. The City of Sedona does not levy a property tax.

In order to estimate property taxes, the value of a typical housing unit in Coconino and Yavapai counties has been calculated at approximately \$142,000 and \$117,000, respectively, including both single family homes and apartment units. This value assumes that employees will occupy units in a pattern similar to the current inventory of housing in the County and City.

4.2 Fiscal Impact on the State of Arizona

Table 5 outlines the fiscal impact of tourism on the State of Arizona. The primary revenues that accrue to the State total more than \$9.8 million in sales tax collections and bed tax collections annually. This figure represents the total dollars that would be collected and retained by the State. It is net of the portion of sales taxes that are shared with and distributed to Arizona's counties and cities.

The remainder of the revenues generated from annual Sedona tourism are classified as secondary and, as previously described, relate to the spending of the tourism industry employees on retail goods, vehicle registration, gasoline taxes and similar items. Also included is an estimate of income taxes that would accrue to the State from employees supported by the tourism industry. Revenue estimates are provided for direct, indirect and induced employment generated from the tourism. Secondary revenues total nearly \$7.2 million per year from the spending and wages of employees.

Overall, the State would collect about \$17.1 million in revenue each year that is attributable to the Sedona Tourism industry.

| Table 5 Fiscal Impact of Tourism in Sedona State of Arizona 2006 | | | | | | | | |
|---|----------------------------|--------------------|------------------------------|--------------------|---------------------|--------------------|------------------|---------------------|
| Impact Type | Primary Revenues | | Secondary Revenues | | | | | Total Revenues |
| | Tourist Spending Sales Tax | Direct Bed Tax | Employees Spending Sales Tax | Income Tax | Vehicle License Tax | Unemp. Tax | HURF Tax | |
| Direct Revenues | \$7,803,400 | \$2,046,200 | \$2,020,000 | \$1,165,500 | \$197,400 | \$1,037,500 | \$399,200 | \$14,669,200 |
| Indirect Revenues | N/A | N/A | \$316,000 | \$385,900 | \$24,500 | \$128,700 | \$49,500 | \$904,600 |
| Induced Revenues | N/A | N/A | \$558,800 | \$583,900 | \$45,800 | \$240,500 | \$92,500 | \$1,521,500 |
| Total Revenues | \$7,803,400 | \$2,046,200 | \$2,894,800 | \$2,135,300 | \$267,700 | \$1,406,700 | \$541,200 | \$17,095,300 |
| NOTES 1 The total may not equal the sum of the impacts due to rounding. 2 All dollar figures are in constant dollars. Inflation has not been included in these figures. 3 The figures for the State of Arizona do not include revenues distributed to counties, cities, and towns. 4 All of the above figures are representative of the major revenue sources for the State of Arizona. The figures are intended only as a general guideline as to how the State could be impacted by the tourism industry. | | | | | | | | |
| Source: Elliott D. Pollack & Company; IMPLAN; Arizona Department of Revenue; Arizona Tax Research Association. | | | | | | | | |

4.3 Fiscal Impact on Coconino and Yavapai Counties

For Coconino and Yavapai Counties, the primary fiscal impacts of annual tourism in Greater Sedona include sales taxes on hotel room revenues and food and beverage revenues as well as bed taxes. The secondary revenues primarily relate to employee spending, property taxes on homes the employees occupy and state-shared revenues that will accrue to the counties.

As outlined in Table 6, Yavapai County collects \$1.8 million annual from direct sales and bed tax generated by tourists to Greater Sedona. An additional \$4.0 million is generated by the secondary revenue sources from the spending of employee's wages in the local economy. Approximately \$1.0 million will accrue to Coconino County annually from primary revenue sources. Another \$941,400 will be generated by the secondary revenue. All figures described in Table 6 are in 2006 dollars and no inflation factor has been included in this analysis.

| Table 6 Fiscal Impact of Tourism in Sedona on Yavapai and Coconino Counties 2006 | | | | | | |
|---|----------------------------------|-------------------|------------------------------------|--------------------|-----------------------------|--------------------|
| Yavapai County | | | | | | |
| Impact Type | Primary Revenues | | Secondary Revenues | | | Total Revenues |
| | Tourist Spending Sales Tax | Direct Bed Tax | Employees Spending Sales Tax | Property Taxes | State Shared Revenues | |
| Direct Revenues | \$1,426,200 | \$426,300 | \$325,300 | \$2,458,600 | \$134,000 | \$4,770,400 |
| Indirect Revenues | N/A | N/A | \$50,900 | \$304,900 | \$16,500 | \$372,300 |
| Induced Revenues | N/A | N/A | \$90,000 | \$569,800 | \$25,900 | \$685,700 |
| Total Revenues | \$1,426,200 | \$426,300 | \$466,200 | \$3,333,300 | \$176,400 | \$5,828,400 |
| Coconino County | | | | | | |
| Impact Type | Primary Revenues | | Secondary Revenues | | | Total Revenues |
| | Tourist Spending Sales Tax | Direct Bed Tax | Employees Spending Sales Tax | Property Taxes | State Shared Revenues | |
| Direct Revenues | \$825,700 | \$246,700 | \$184,900 | \$463,000 | \$50,700 | \$1,771,000 |
| Indirect Revenues | N/A | N/A | \$23,900 | \$47,300 | \$4,900 | \$76,100 |
| Induced Revenues | N/A | N/A | \$50,100 | \$107,000 | \$9,600 | \$166,700 |
| Total Revenues | \$825,700 | \$246,700 | \$258,900 | \$617,300 | \$65,200 | \$2,013,800 |
| NOTES 1 The total may not equal the sum of the impacts due to rounding. 2 All dollar figures are in constant dollars. Inflation has not been included in these figures. 3 All of the above figures are representative of the major revenue sources for Coconino and Yavapai Counties. The figures are intended only as a general guideline as to how the County could be impacted by the tourism industry. | | | | | | |
| Source: Elliott D. Pollack & Company; IMPLAN; Arizona Department of Revenue; Arizona Tax Research Association. | | | | | | |

4.4 Fiscal Impact on the City of Sedona

The fiscal impact of tourism to the City of Sedona is described on Table 7. Primary revenues generated from the sales tax and bed tax total more than \$9.4 million annually.

Secondary revenues are generated from direct, indirect and induced employees who are supported by the tourism industry. Revenue estimates related to the City of Sedona take into account that only 67.9% of the hotel rooms in the Greater Sedona area are within City limits. In addition, only 46% of City of Sedona workers live in the City. Annually, \$532,700 will be collected from secondary revenues generated from employees of the tourism industry.

In total, the impact to the City of Sedona from tourism is approximately \$9.9 million annually.

| Table 7 Fiscal Impact of Tourism in Sedona City of Sedona 2006 | | | | | | |
|--|----------------------------------|---------------------------|--------------------|------------------------------------|-----------------------------|--------------------|
| Impact Type | Primary Revenues | | | Secondary Revenues | | Total Revenues |
| | Tourist Spending Sales Tax | Occupancy Sales Tax | Bed Tax | Employees Spending Sales Tax | State Shared Revenues | |
| Direct Revenues | \$6,151,200 | \$1,622,200 | \$1,622,200 | \$363,800 | \$8,100 | \$9,767,500 |
| Indirect Revenues | N/A | N/A | N/A | \$56,900 | \$1,300 | \$58,200 |
| Induced Revenues | N/A | N/A | N/A | \$100,600 | \$2,000 | \$102,600 |
| Total Revenues | \$6,151,200 | \$1,622,200 | \$1,622,200 | \$521,300 | \$11,400 | \$9,928,300 |
| NOTES 1 The total may not equal the sum of the impacts due to rounding. 2 All dollar figures are in constant dollars. Inflation has not been included in these figures. 3 All of the above figures are representative of the major revenue sources for the City of Sedona. The figures are intended only as a general guideline as to how the City could be impacted by the tourism industry. | | | | | | |
| Source: Elliott D. Pollack & Company; IMPLAN; Arizona Department of Revenue; Arizona Tax Research Association. | | | | | | |

5.0 Summary of Finding and Conclusions

There are an estimated 2.8 million visitors to Greater Sedona each year. This includes both overnight visitors and day-trippers. An estimated 251,797 visitor parties spend the night in Greater Sedona each year in hotels, motels, timeshares, bed & breakfasts, RV parks or private residences. They stay an average of three nights and, thus, overnight parties demand a total 755,390 nights. In addition, there are an estimated 593,520 day-tripper parties, or an estimated 1.35 million visitor parties annually.

The economic impact of the annual tourism in Sedona is based on \$372.6 million of annual tourist spending that generates 7,660 direct jobs. This would include the employees of hotels, retail establishments, restaurant and bars, ground transportation companies, entertainment venues and other tourist-related venues. About \$148.0 million in direct wages will be generated. Another 2,670 indirect and induced jobs will be created annual with wages for these indirect and induced employees of about \$83.2 million.

Altogether, annual tourism in the City of Sedona creates approximately 10,330 jobs each year, generating \$231.2 million in wages and \$587.6 million in economic activity. Although the primary impact of the study will focus upon the City of Sedona, the entire Greater Sedona area will benefit from this activity.

Overall, the estimated 2.8 million visitors to the Greater Sedona area each year generate \$9.9 million in annual revenues for the City of Sedona. This includes \$7.8 million of direct sales tax (inclusive of the 3.0% occupancy tax levied on room revenues) as well as the estimated \$1.6 million in bed tax collections.